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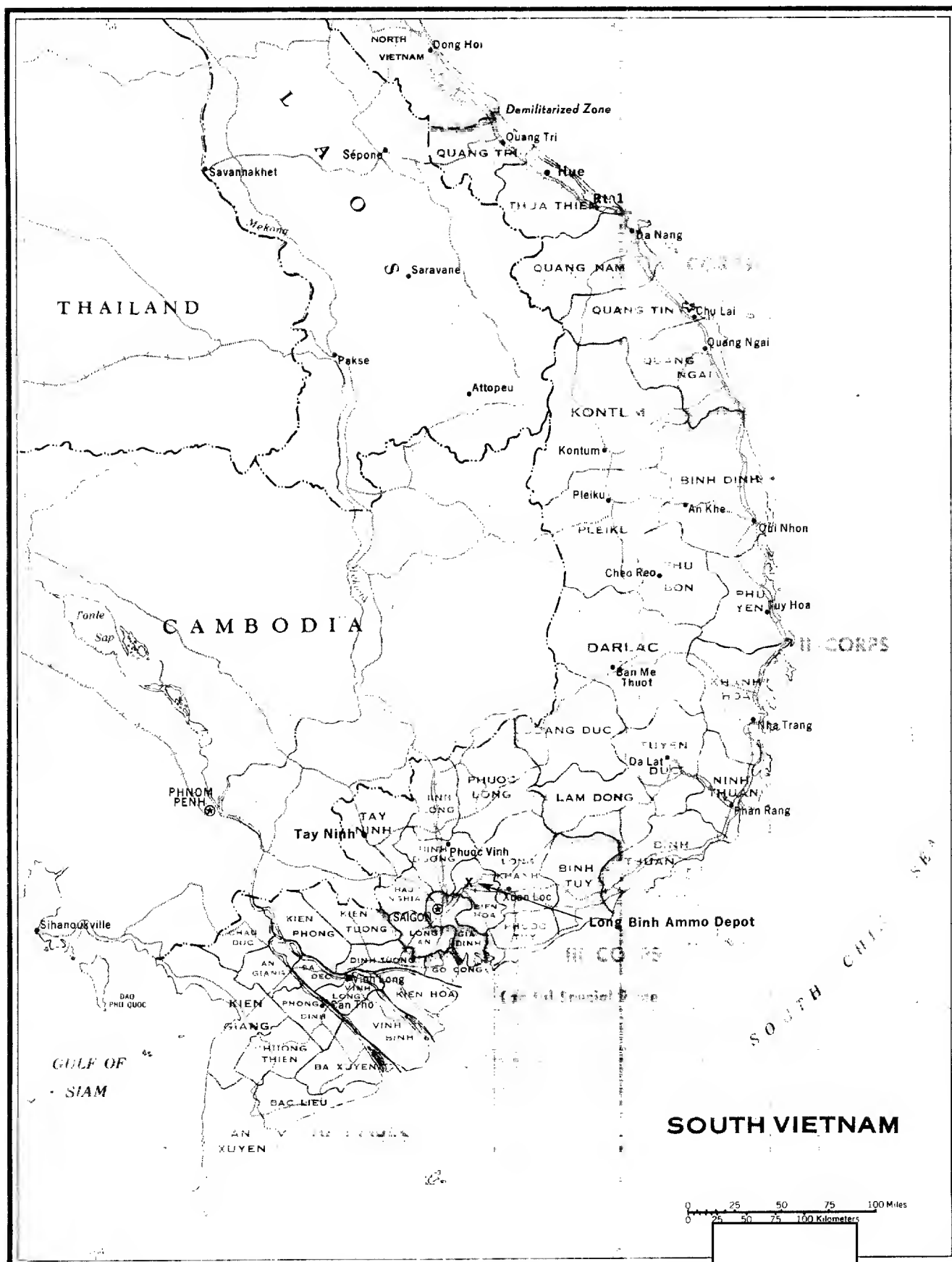
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*Vietnam: (Information as of 4:30 AM EST)

Communist Political Developments: The Communists have rejected suggestions that the Christmas truce be extended to Tet, the lunar new year which will be celebrated between 8 and 12 February.

A 10 December Liberation Front broadcast asserts that recent calls for an extension of the truce were inspired by the US to detract from the significance of the Viet Cong's "humanitarian" gesture in announcing the cease-fire. The broadcast also denounced world figures who speak about peace in Vietnam as supporters of US "aggression."

The Military Situation in South Vietnam: US combat forces participated in 12 of the 26 battalion-size or larger operations conducted throughout South Vietnam during the weekend.

The most significant contact occurred yesterday in Tay Ninh Province where a US platoon engaged a Communist force about ten miles northeast of Tay Ninh city. Both sides suffered heavy casualties--18 Americans killed and 10 wounded, and 26 enemy soldiers reported killed.

Twenty-four South Vietnamese Army soldiers were killed and 85 wounded on 10 December when their positions, ten miles northwest of Hue, were attacked by a Communist force of unknown size. The South Vietnamese also lost more than 100 weapons. Six enemy soldiers were reported killed.

(continued)

Viet Cong sabotage activity was high over the weekend. Two explosions at the Long Binh ammunition depot, 13 miles northeast of Saigon, destroyed nearly two tons of ammunition in the third such attack in six weeks. Viet Cong frogmen failed in four attempts to blow up strategic bridges in the Saigon area. However, interdiction efforts along Route 1 in the three northern provinces have blocked road and rail transport connecting Thua Thien with Quang Tri and Quang Nam. [REDACTED]

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Communist China - Macao: Communist China has increased its pressure on the Portuguese authorities in an apparent effort to force full capitulation to the demands of Chinese Communist elements in Macao.

On 11 December an authoritative People's Daily article asserted that the Macao authorities had only "superficially" accepted demands by the Chinese in Macao for an apology and for compensation for damage caused during the recent riots. The article warned that the "Chinese people" would not "tolerate" the "ruthless persecution" of the Chinese in the Portuguese colony. It repeated a 9 December statement of support for the Chinese Communists in Macao by Kwangtung provincial authorities which demanded that the Portuguese unconditionally accept all demands of the Chinese Communists in Macao and take steps to prevent Chinese Nationalist operations there.

Communist China's continuing propaganda campaign against the Macao authorities appears aimed at forcing the Portuguese into a public display of subservience showing that the colony exists only at Peking's sufferance. However, the Chinese Communists are unlikely to move directly against Macao unless any further demonstrations in the colony get out of hand or unless the Portuguese refuse to satisfy most of the Chinese demands.

The situation in Macao itself has been returning to normal and the Macao authorities appear to be anxious to reach a compromise solution on the issue. In Lisbon, the Portuguese foreign minister has evidenced a resigned and restrained attitude toward the situation.

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Communist China: Facing a worsening food situation, China has bought an additional 914,000 tons of wheat from Canada.

With this latest purchase, China has contracted for the maximum annual amount of grain provided for in the three-year wheat agreement signed with Canada in the fall of 1965--2.5 million tons--and has bought a total of five million tons from all sources for delivery during the year ending 30 June 1967. The prospects are that still more purchases will be sought in Canada and elsewhere, perhaps bringing the total delivery for the year ending 30 June 1967 to more than the 6.3 million tons China procured in the 12-month period ending 30 June 1966.

China wants to buy "any quantity of wheat Argentina will be able to spare." Argentina has supplied China with more than a million tons annually during the past three years.

China's need for food imports is greater now than at any time since 1962, when grain production was restored to the 1957 level of about 180 million tons following three calamity food years.

in many urban areas and in widespread rural areas where early 1966 crops were reduced by bad weather, rations have been cut, in most cases to an inadequate 20-25 pounds of grain per month per adult. This is down a third or more from the estimated level of recent years.

Present indications, moreover, are that the late harvest--now in progress--will bring a below-average yield insufficient to reverse the deterioration in ration levels. The authorities in one province have felt compelled to call on peasants to "practice the spirit of a 10-month grain allotment to last through 13 months," while authorities in another province have warned local cadres that enforcement of distribution plans "correct" for this harvest "will encounter resistance."

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Communist China: Red Guards have renewed demands for the dismissal of chief of state Liu Shao-chi.

A wall newspaper displayed on 8 December by a Red Guard unit at Peking University charged that Liu is the "Khrushchev of China" and must be completely overthrown. It said that now that former Peking mayor Peng Chen, former propaganda chief Lu Ting-i, and others have been "exposed," it is time to go after their "big boss" Liu Shao-chi and his chief supporter, party general secretary Teng Hsiao-ping. According to the poster, Liu has been opposed to Mao Tse-tung and Lin Piao for many years. It charged that Liu began to create a faction within the party as long ago as 1936, a few months after Mao became party chairman, and named more than a dozen individuals said to be "devoted retainers" of Liu.

Red Guard demands to dismiss Liu and Teng have not yet been endorsed in regime pronouncements. In speeches released on 3 December, Madame Mao and other officials indicated that the already disgraced Peng and former propaganda chief Lu will be further "exposed," but said that other unspecified individuals should be allowed to correct their mistakes. Since 3 December Peking newspapers have been focusing attacks against literary figures who were denounced last spring. This suggests that for the moment the regime wants to concentrate on cultural targets, rather than on senior party leaders.

The new Red Guard charges against Liu Shao-chi, like those made in November, presumably have high-level backing, since they contain information available only to senior party leaders. The language of the 8 December charges implies that one such leader is Kang Sheng, a long-time intelligence specialist who

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[redacted]

was promoted into the politburo standing committee last August and is a key member of the party's cultural revolution group. He was demoted in 1956 from a full to an alternate member of the politburo. The reasons for this were never made public, but the latest charges now claim that he was one of those Liu was "keeping down."

A few days after a similar attack in November, Liu and Teng showed up at a Red Guard rally with Mao, as if nothing had happened. It would appear either that the regime is engaged in a slow, devious process to bring them and their supporters down in disgrace, or that a faction at the top which is pressing the charges has been successfully resisted by another group. [redacted]

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Indonesia: General Suharto, under pressure from various quarters, is considering more decisive moves against President Sukarno.

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Suharto

_____ was appointing a special committee to work toward toppling Sukarno. At the same time he remains committed to the strict observance of legal processes, and apparently he has designated General Nasution, the chairman of congress, to plan and lead the necessary political action.

Action would be based on evidence of Sukarno's involvement in the antiarmy move of 1 October 1965 which has been revealed and repeatedly corroborated in the current trial of former air force chief Omar Dani. Sukarno's own evasive deposition on his role in the events described by Dani, which was read in court on 10 December, is likely to be regarded by Suharto and others as inadequate and in some instances untrue.

Heavy press coverage of the trial already emphasizes Sukarno's foreknowledge of the action and his involvement. Nasution and his advisers believe that after the trial anti-Sukarno demonstrations by students and other groups can be renewed. These will be used to develop public receptivity for an emergency session of congress, Indonesia's highest policy-making body. Congress could then vote to depose Sukarno as president.

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The plan of action being considered may encounter obstacles and delays, but at the least a considerably expanded anti-Sukarno campaign seems likely.

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West Germany: The Bundestag is moving to extend full voting rights to its West Berlin members despite Allied warnings that such a move could threaten Allied rights in Berlin.

West German political leaders have long been restive over Allied insistence that, because Berlin remains under four-power rule, the votes of the 22 West Berlin representatives in the federal parliament should be limited to procedural matters only. Popular interest in this problem was heightened when the question of counting Berlin votes figured prominently in the recent Bonn government crisis.

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Ambassador McGhee in Bonn observes that in view of the actions already taken, it may be too late to dissuade the Germans from going ahead. Bonn's new Foreign Minister Willy Brandt, formerly Berlin's mayor, strongly favors removing all Berlin voting restrictions and has bitterly criticized the Allies for what he terms their "legal sterility and political malice" in connection with this issue.

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NOTE

Bolivia: The threat of violence appears to have lessened in the confrontation between the striking miners of Huanuni and the national guardsmen bivouacked nearby. President Barrientos' personal intervention on Friday seems to have convinced the majority of the strikers that the government would negotiate in good faith and that nothing would be gained by violence at this time. Barrientos said later in La Paz that he recognized the need to improve industrial relations and social conditions at Huanuni and that security forces would not enter the area as long as negotiations are in progress. [redacted]

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